

*Overseas contractor fraud loophole formally closed after new regulations issued*

Washington, DC - Rep. Peter Welch uncovered, investigated and has now officially closed a multi-billion dollar loophole proposed by the Bush administration that allowed overseas government contractors to avoid disclosing fraud.

In response to a law passed by Welch this summer, the Office of Management and Budget issued a rule late last week mandating that government contractors report any suspected instances of waste, fraud, abuse or overpayment to investigators general. The move caps a months-long effort led by Welch to restore accountability to government contracts and crack down on a misguided loophole crafted by the Bush administration.

"This rule ensures taxpayer dollars are protected from fraud and abuse," Welch said. "It is the responsibility of Congress to continue overseeing the activities of this administration in its waning days. For too long there was no cop on the beat."

Last fall, the Justice Department drafted a rule requiring contractors to report internal fraud or overpayment on government-funded projects. However, just before publication, the rule was inexplicably modified to exempt "contracts to be performed outside the United States."

On March 7, 2008, after learning about the loophole, Welch requested an investigation by the House Oversight and Government Reform Committee, on which he serves. On April 4, Welch introduced the "Close the Contractor Fraud Loophole Act," H.R. 5712, to require all contractors, regardless of where the work is performed, to be subject to fraud reporting requirements. Following an investigatory subcommittee hearing, the bill was approved by the Oversight Committee and, on April 23, by the House of Representatives. It was later incorporated into a supplemental appropriations bill and signed into law in June.

The OMB memo issued Thursday provides guidelines for self-reporting by contractors and instructions for agency oversight. Because of the steep penalties for those violating the rule - including suspension and debarment - OMB officials are working to explain the new guidelines to all appropriate parties.